

VENTURE CAPITAL REACHES THE POOREST OF THE POOR RURAL HOUSEHOLDS

Pic CAPTION:

Ben Nkuna MD of WDB takes Flora Ndlovu of Goromane Village in Hazyview, through some marketing ideas.

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The first thing that project manager Ben Nkuna did when he joined the Women Development Businesses (WDB) last year was to relocate the micro-financing division from Hyde Park to Acornhoek in Mpumalanga. "I needed to be nearer my clients," he says.

Previously, applications were taking too long to process at head office causing a backlog in loans reaching the community. "My priority was getting funds to the client as quickly as possible with the minimum of red tape," he says.

WDB's clients in rural Mpumalanga are women and their families who eek out an existence on less than R1000 a month. By granting them a small loan starting from as low as R300 they are able to gradually sustain themselves by buying boxes of fruit or similar consumables to sell in the neighbouring townships. In addition, they are also put on a literacy programme to enable them to keep rudimentary financial records. The margins made at this level are over 100%.

Over a period of time, as the business flourishes and earnings reach R3500, a further loan of R3500 is granted. The vendors have now graduated from the poverty alleviation programme into being micro enterprise clients. At this stage the dynamics of the business changes dramatically and some critical issues emerge. Margins drop to 20% and for the first time they are exposed to stiff competition from the market. To help them overcome some of these challenges Enterprise Development Officers step in to show them how to keep an elementary set of books and implement some basic business principles.

When Ben took over in June last year 80% of the loan officers were behind their monthly in bringing in new clients. Today the members of the team are way above their targets due to better support and managing the programme more efficiently.

Ben's impressive track record in turning around the loan application process has been applauded by Massmart. Brian Leroni, group corporate affairs executive explains: "We sent our own internal auditors to WDB to audit the management of the funds that we provided to WDB in early 2007. Ben and his team came out tops. All the money has been allocated. We were impressed with the quality of the beneficiaries and were satisfied that good corporate governance has been exercised. On those grounds we approved a further loan of



one million rand with a 20 year longstop date increasing Massmart's total loan to WDB to R2-million. We are also gratified to learn from WDB that for every one million rand loaned, 7000 members of the community benefit," he says.

Ben's goal is to establish branches supported by six loan officers each serving 400 clients. This brings a total of 144 000 clients drawn from Mpumalanga. More clients will also be reached in KwaZulu Natal. "We then start to make a difference to the economics of the region by creating wealth and building infrastructure towards their upliftment. But key to the success is responding to clients' needs and making sure that the loaned money gets to the clients quickly, efficiently and with the least amount of hassle," he says.

Ben's 14 years of experience in micro financing were garnered as general manager at the Small Enterprise Foundation where he was responsible for 18 branches with 108 loan officers. Since then he's been in much demand internationally and has travelled to India, Bangladesh, United States, Bolivia, Ivory Coast, Zimbabwe, Rwanda, Sri Lanka and Jordan, training and helping companies start micro finance programmes.

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